

Message Text

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E.O. 11652: GDS
TAGS: ENRG, EG
SUBJECT: INCOME FROM PETROLEUM IN 1980

REF (A) CAIRO 9671 (B) CAIRO 8904 (C) CAIRO 8368, PARA 12

1. REFTEL A REPORTED PUBLIC STATEMENT BY MINISTER OF PETROLEUM HILAL FORECASTING NET SURPLUS FROM PETROLEUM SECTOR OF \$1,325 MILLION IN 1980. HILAL'S ESTIMATE BASED ON ASSUMPTION THAT ONE MILLION BARREL PER DAY PRODUCTION WILL BE ATTAINED, THAT PRICE OF EGYPTIAN OIL WILL REMAIN AT BETWEEN 10 AND 11 DOLLARS PER BARREL AND THAT NET EXPORTS WILL BE IN THE RANGE OF 350-400 THOUSAND BPD. FIGURE ALSO DETERMINED AFTER DEDUCTING COMPANIES' SHARE, AS WELL AS AMOUNT NEEDED FOR INTERNAL CONSUMPTION. REFTEL B AND C REPORTED AMERICAN COMPANIES' JUDGEMENTS THAT IT IS UNLIKELY REPEAT UNLIKELY THAT HILAL WILL BE ABLE TO REALIZE HIS PRODUCTION GOAL. JUDGMENT BASED NOT ON POOR DISCOVERY RATE, (MOST AGREE THAT BY 1980 EGYPT WILL BE CAPABLE OF PRODUCING 1 MILLION PBD), BUT ON FACT THAT EQUIPMENT NECESSARY TO EXPLOIT NEW FINDS FULLY WILL NOT BE IN PLACE BY 1980. ESTIMATES FROM THESE COMPANIES OF MAXIMUM 850,000 BARRELS PER DAY PRODUCTION BY 1980 ARE BECOMING STANDARD. AMOCO FIGURES PROVIDED REF C ARE PROBABLY MOST ACCURATE ESTIMATES OBTAINABLE. ESTIMATES OF NET BENEFIT DERIVED FROM PETROLEUM SECTOR, THEREFORE, WOULD BE LOWER IF REDUCED PRODUCTION FIGURE BECOMES REALITY.

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2. IN ORDER TO OBTAIN MORE REALISTIC ESTIMATE OF NET

BENEFIT FROM PETROLEUM SECTOR IN 1980 WE HAVE APPLIED VARIOUS PRODUCTION SHARING FORMULAE WHICH HAVE BEEN REACHED WITH COMPANIES IN THE FOLLOWING CALCULATIONS. MOST IMPORTANT AGREEMENT IN THIS REGARD IS AMOCO REVISED AGREEMENT SIGNED ON FEBRUARY 24, 1976 (CONTAINED CAIRO A-48), SINCE BULK OF PRODUCTION WILL BE FROM AREAS UNDER THAT AGREEMENT.

3. A) RENEGOTIATED AMOCO AGREEMENT CALLS FOR ONLY 20 PERCENT OF DAILY CRUDE PRODUCTION TO BE SET ASIDE FOR COST RECOVERY PURPOSES. COMPLICATED COST RECOVERY APPLICATION FORMULA LEAVES ABOUT TWO PERCENT OF THIS AMOUNT AVAILABLE TO EGPC. REMAINDER OF PRODUCTION SPLIT 85 PERCENT OF EGPC AND 15 PERCENT FOR AMOCO FOR MAJORITY OF OIL THAT WILL BE PRODUCED IN 1980. (ALTHOUGH AGREEMENT MENTIONS DIFFERENT SPLITS FOR OLD AND NEW OIL, MOST OF OIL PRODUCED IN 1980 WILL STILL BE OLD OIL ACCORDING TO DEFINITION.) AT ABOVE RATES EGPC'S SHARE OF AMOCO'S ESTIMATED 530,000 BPD PRODUCTION IN 1980 WOULD BE APPROX. 363,000 BPD.

B) OF AMOCO FORECAST FOR 150,000 BPD FROM OTHER SUEZ FIELDS, APPROXIMATELY 110,000 WOULD BE AVAILABLE AS EGPC SHARE. THIS INCLUDES EXISTING FIELDS AT RAS GHARIB AS WELL AS ANY NEW FINDS WHICH WOULD BE DEVELOPED BY THAT TIME IN GULF OF SUEZ.

C) SINAI PRODUCTION ALL BELONGS TO EGPC AND IS ESTIMATED BY AMOCO AT 135,000 BPD BY 1980.

D) WESTERN DESERT PRODUCTION, WHICH IS MADE UP MAINLY FROM PHILIPS' AREAS, UNDER ORIGINAL AGREEMENT WOULD YIELD APPROXIMATELY 25,000 BPD FOR EGPC.

4. BASED ON ABOVE, TOTAL EGPC SHARE OF ESTIMATED PRODUCTION IN 1980 WOULD BE APPROXIMATELY 623,000 BPD. EGPC ESTIMATES NATIONAL INTERNAL CONSUMPTION NEEDS BY 1980 WILL BE 320,000 BPD, LEAVING APPROX. 303,000 BPD FOR EXPORT. (NOTE: RECENT USG/ESTIMATES OF INTERNAL NEEDS ARE SOMEWHAT HIGHER, AT 400,000 BPD.)

CALCULATED AT \$10.00 PER BARREL, INCOME FROM NET AMOUNT
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AVAILABLE FOR EXPORT WOULD BE ABOUT \$1,106 MILLION.

5. COMMENT: AMOUNT IS 17 PERCENT BELOW HILAL'S CALCULATION AND IS IN KEEPING WITH REDUCED PRODUCTION ESTIMATES. ABOVE FIGURE FOR INCOME FROM NET PRODUCTION PROBABLY DOES NOT PRESENT NET INCOME TO EGYPT FROM PETROLEUM SECTOR; THERE WILL UNDOUBTEDLY BE NEED TO CONTINUE TO IMPORT SOME PETROLEUM PRODUCTS AND HILAL REPORTEDLY

HAS PLANS TO SPEND HEAVILY ON EQUIPMENT FOR EGPC (OFF-SHORE, ETC.) FOR PROJECTION PURPOSES, HOWEVER, FIGURE IS REASONABLE APPROXIMATION OF CONTRIBUTION TO EGYPTIAN ECONOMY WHICH MAY BE EXPECTED FROM PETROLEUM BY 1980. EILTS

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